

Committee: General Purposes Committee

Date: 25th June 2015

Agenda item:

8 Wards: All

Subject: Annual Governance Statement 2014/15

Lead officer: Caroline Holland – Director of Corporate Services

Lead members: Peter McCabe- Chair of General Purposes Committee

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Recommendations:

That General Purposes Committee agrees the Annual Governance Statement.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Merton Council is required to prepare an Annual Governance Statement (AGS) for the year 2014/15. This statement is required in order to comply with Regulation 4(3) of the Accounts and Audit Regulations 2011.
- 1.2 This report was presented to Standards Committee on the 16th June 2015 and they recommended an additional comment to the action on Page 31 in relation to DBS checks. 'To carry out a review of DBS to ensure that only those posts requiring this check are carried out and these are completed on the correct level (standard or enhanced)'.

2. DETAILS

- 2.1 The purpose of the AGS is to report on the robustness of the Council's governance arrangements. Corporate governance is defined, for the purposes of this report, as:

“ The framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.”

- 2.2 The AGS is effectively a commentary on how well Merton Council manages itself. In recognition of this, a Corporate Governance Steering Group was established in 2007/08, the first year when the AGS came in to force, in order to oversee and advice on the preparation of the

AGS. The current membership of this group is:

Caroline Holland	Director of Corporate Services
Margaret Culleton	Head of Internal Audit & Investigations
Evereth Willis	Interim Head of Policy, Strategy and Partnerships
Zoe Church	Head of Business Planning
Fiona Thomsen	Head of Shared Legal Services
Julia Regan	Head of Democracy Services
Karin Lane	Head of Information Governance

2.3 The Framework consists of six core principles:

Principle 1 Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

Principle 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Principle 5 Developing the capacity and capability of members and officers to be effective

Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability

2.4 During 2012, a CIPFA/SOLACE Joint Working Group reviewed the *Delivering Good Governance in Local Government: Framework*, first issued in 2007, to ensure it remains fit for purpose. In December 2012, the Joint Working Group issued an addendum to the framework and a revised guidance note.

2.5 The guidance note highlights a number of developments since the launch of the framework. These areas were covered in the AGS for 2013/14. Recent changes however are detailed below.

Transparency

2.6 The government is committed to increasing transparency across Whitehall and local authorities in order to make data more readily accessible to the citizen and to hold service providers to account. The Department for Communities and Local Government updated the Local Government Transparency code in 2015, which lists the data which councils are required to publish. The council is committed to meeting

the requirements of this code and most of the information has already been published.

- 2.7 Ongoing work in this area includes procurement card expenditure and contract information.

Changes to Local Authority governance structures

- 2.8 Commissioning and Partnerships with other local authorities and sectors are being used more to deliver public services in local authorities. Each partner organisation may have its own governance and accountability structure, its own code of conduct and risk management arrangements. It is important that clear lines of accountability for stakeholders and customers are demonstrated.
- 2.9 In relation to Shared Services with other councils work has started to review the governance arrangements in place (as detailed in the action plan). In 2014/15 a task group was set up to look at difference options for shared services. Further work will be carried out on the governance arrangements in place, during 2015/16.

Review of effectiveness

- 2.10 The council has a responsibility for conducting, at least annually, an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 2.11 An external review was carried out in March 2014 on the effectiveness of internal audit. This review found that the service provided at Merton conformed to the Public Sector Internal Audit Standards.
- 2.12 The review of effectiveness of the system of internal control is informed by the work of the internal auditors. Effectiveness of the system is also conveyed by Directors, Assistant Directors and Heads of Service within the authority that has responsibility for the development and maintenance of the internal control environment. The overall opinion is that the internal control environment is satisfactory.

Counter fraud arrangements

- 2.13 From November 2014, the investigation posts within the Internal Audit and Investigation team transferred to the DWP under the Single Fraud Investigation Service. Between November 2014 and March 2015, investigation work was carried out by Internal Audit. From April 2015, the council joined a five borough fraud partnership led by Wandsworth Council.
- 2.14 The Head of Internal Audit at Merton is a member of the steering group and is responsible for monitoring referrals and reviewing recommended outcomes. Other proactive fraud work will be detailed in fraud plans submitted to Wandsworth Council; this will include Business Rates,

Tenancy Fraud and Blue Badge for 2015/16. Merton's Head of Audit will continue to report all whistleblowing and proactive and reactive fraud cases and outcomes on a regular basis to General Purposes Committee.

- 2.15 Other whistleblowing or concerns received that are not fraud related, will continue to be referred to the appropriate team for investigation, for example HR or management issues may be referred to HR to investigate.
- 2.16 The council has anti fraud policies in place, including strong Whistleblowing arrangements

Disclosure Barring Service

- 2.17 Following a limited Internal Audit assurance on DBS, a full review is to be carried out to ensure that checks are carried out on all staff requiring a DBS and systems are in place to ensure that these checks are carried out prior to employment

Internal Audit Annual Report

- 2.18 The council has a responsibility for conducting, at least annually, an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors. Effectiveness of the system is also conveyed by Directors, Assistant Directors and Heads of Service within the authority that has responsibility for the development and maintenance of the internal control environment.
- 2.19 The Annual Report summarises the work of Internal Audit in 2014/15 and provides the Head of Audit opinion on the adequacy and effectiveness of the internal control environment.
- 2.20 The overall opinion is that the internal control environment is satisfactory. 82% of Internal Audit reviews provided satisfactory or above levels of assurance. This is the higher than last year (79%).
- 2.21 There are some areas that require improvement, in particular in relation to procurement for the following areas: - DFG, Supporting People, community equipment and vehicle maintenance. Other issues identified during audit review were the lack of audit trail or clear processes in particular in service specific areas such as DBS and No Recourse to Public Funds.

3. ALTERNATIVE OPTIONS

- 3.1 There are no alternative options as the AGS is a statutory requirement, as stated at paragraph 1.1 above.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 No external consultation has taken place or is planned for this document.

4. TIMETABLE

- 5.1 This report has been prepared to meet the timetable for the approval of the Statement of Accounts.

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 There are no specific financial, resource or property implications apart from the need to implement the AGS Improvement Plan, which will be completed within existing resources

6. LEGAL AND STATUTORY IMPLICATIONS

- 6.1 The AGS is a statutory requirement, as stated at paragraph 1.1 above.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1 There are no specific human rights, equalities or community cohesion implications, except in so far as this report is wholly concerned with good governance

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 8.1 There are no specific risk management or health and safety implications other than the assessment of the Council's risk management arrangements in the AGS

9. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 9.1 Appendix I: Annual Governance Statement 2014/15.

- 9.2 Appendix 2: Internal Audit Annual Report 2014/15

10. BACKGROUND PAPERS – THE FOLLOWING DOCUMENTS HAVE BEEN RELIED ON IN DRAWING UP THIS REPORT BUT DO NOT FORM PART OF THE REPORT

- 10.1 CIPFA / SOLACE Delivering Good Governance in Local Government – Framework

- 10.2 CIPFA / SOLACE Delivering Good Governance in Local Government – Guidance Note for Local Authorities 2012

- 10.3 CIPFA Rough Guide to Annual Governance Statement

